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MARKET ACCESS SECRETARIAT
Global Analysis Report

Sector Trend Analysis

The Wine Market
In China

Octobre 2016

EXECUTIVE SUMMARY

The Chinese grape wine market was worth an estimated US$ 38.3 billion in 2015, and is expected to increase 81%, reaching and anticipated US$ 69.3 billion by 2019. Since 2010, the volume of wine sales in China has increased 132%, reaching 2,466 million litres in 2015. This amount is expected to grow another 75% by 2019, reaching 4,320 million litres.

Still wines represented 96.8% of the total wine market value in 2014. Red wine was the most popular with 75.2% volume share in 2014. This popularity may be due to the perceived health benefits of red wine and the significance of the hue in Chinese culture, which signifies wealth, power, and good luck. The volume sales of white wine increased 68.6% from 2010 to 2014, while the volume sales of rosé increased 105% during the same period, signalling an opportunity for producers in this category.

Imported wines hold the highest volume market share in the tier 1 cities of Beijing, Guangzhou, Shanghai, and Shenzhen, where there is the strongest presence of expatriates, western-educated young professionals and consumers who have a knowledge and preference for foreign wines. Combined, these cities account for 53% of the volume of imported wine sales.

After the United-States, China was Canada's second largest export market for wine in 2015, worth CAD$ 13.5 million.

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INTRODUCTION

The increasing presence of consumers with a knowledge and preference for foreign wines, combined with the growing middle-class and the Chinese government's plan to improve access to China's interior is resulting in a growing market for wine in China.

Combined, the tier 1 cities of Beijing, Guangzhou, Shanghai, and Shenzhen, hold the highest volume share of imported wines. However, as economies expend in tier 2 cities and the government improves distribution, these wine markets are expected to continue developing and gaining importance. Still, it should be noted that price and packaging will be an important concern for new wine consumers.

MARKET ENVIRONMENT

China's size and growing middle class have made it an attractive export market for wine producers around the globe. China was the most populous country in the world, with a population of approximately 1.37 billion in 2015. The population of China has increased by 2% over the past five years, and is expected to reach 1.4 billion by 2020. Although China is experiencing an economic downturn with the slowest gross domestic product (GDP) growth rate since the 1990's, it was still the world's second-largest economy with a GDP of US$10.9 trillion in 2015. In fact, consumer spending increased by 7.3% between 2013 and 2014, up from 6.7% between 2012 and 2013.

Additionally, increased travel has resulted in an interest in Western culture, which is perceived to be more advanced, and a demand for modern lifestyle. In 2012, the Chinese surpassed Americans and Germans as the world's top international tourism spenders, taking 83 million foreign trips and spending US$ 102 billion. The number of foreign trips is expected to reach 200 million by the year 2020. As Chinese tourists increasingly visit wine drinking countries, they are increasing the knowledge and preference for foreign wines in China.

Consumption

According to Euromonitor International, total alcohol consumption has increased by 21.6% between 2009 and 2014. While locally produced baijiu has always been a popular alcoholic beverage, increased household incomes are allowing consumers to enjoy a wider variety of alcoholic beverages, such as wine. Imported wines have traditionally been seen as a status symbol and considered a crucial element of doing business; however, the new generation of wine consumers is also drinking wine as part of their social life outside of work. This consumer segment mainly consists of graduates working in high-earning professions in their late 20s and early 30s. Elderly consumers tend to be more price-sensitive, while middle-young and middle-aged consumers are more concerned with the concept of "face" and will pay more on a particular brand in order to demonstrate dignity, honour and pride. Chinese consumers also tend to be more concerned about safety due to numerous food and product safety issues exposed in the media. These concerns contribute to the attractiveness of foreign brands, which are perceived to be safer and therefore more trusted.

Volume Consumption per Capita

Year	2011	2012	2013	2014	2015[E]	Growth %	*CAGR % 2011-15[E]
Volume consumption per capita (retail market) - Litres	0.5491	0.6488	0.6801	0.6866	0.7154	30.29	6.84
Volume consumption per capita (total market) – Litres	1.0459	1.2287	1.1933	1.1895	1.2209	16.73	3.94
Spend per capita (retail market) – USD$	4.39	5.65	5.62	5.44	5.35	21.87	5.06
Spend as a proportion of GDP (retail market) - %	0.0790334	0.0897558	0.0796757	0.0707516	0.0665255	-15.83	-4.22
Unit Prices (retail market) – USD per Litre	8.00	8.71	8.26	7.93	7.48	-6.50	-1.66

Source: Mintel, 2016
***CAGR:** compound annual growth rate
E = Estimate

The Health and Wellness Trend

Over the past five years, the market for health and wellness food and beverage products in China has increased by 76%, reaching US$ 116.6 million in 2015. The organic category saw the most growth, with an increase of 244% from 2011 to 2015, followed by fortified/functional (81%), and naturally healthy (70%). These trends indicate a growing opportunity for organic and fortified wines.

Health and Wellness in China, Market Size, Retail Value Sales in US$ Millions Current Prices, Fixed 2015 Exchange Rates

Category	2011	2012	2013	2014	2015	*CAGR % 2011-15
Natually Healthy	33,277.80	38,456.70	45,039.90	50,935.50	56,460.80	14.1
Fortified/Functional	30,850.40	36,618.20	42,928.70	49,341.60	55,963.10	16.1
Organic	485.30	682.10	993.30	1,341.60	1,669.40	36.2
Better For You	998.30	1,124.40	1,259.90	1,396.20	1,520.50	11.1
Food Intolerance	591.00	658.40	750.10	845.60	942.40	12.4

Source: Euromonitor International, 2016.
***CAGR:** compound annual growth rate

RETAIL SALES

The Chinese wine market had an estimated value of US$ 38.3 billion in 2015, and is expected to grow by 17.8% by the end of 2016, reaching US$ 45.1 billion. The Chinese wine market value increased by a compound annual growth rate of 19.7% from 2010 to 2015, however, it is expected to grow at the slower rate of 15.4% for the next four years, reaching US$ 69.3 billion in 2019. The Chinese wine market volume has increased at a similar compound annual growth rate of 18.3% from 2010 to 2015, reaching an estimated 2.5 billion litres in 2015.

China Wine Market Value, $US Million, 2010-2015[E]

Year	$US Million	% Growth
2010	15,579.4	--
2011	19,334.6	24.1
2012	23,346.1	20.7
2013	27,668.0	18.5
2014	32,710.1	18.2
2015[E]	38,302.4	17.1
***CAGR % 2010-15[E]**		**19.7**

Source: MARKETLINE
***CAGR:** compound annual growth rate
E = Estimate

China Wine Market Value Forecast, $US Million, 2016-2019

Year	$US Million	% Growth
2016	45,121.6	17.8
2017	52,747.5	16.9
2018	61,361.6	16.3
2019	69,316.8	13.0
***CAGR % 2016-19**		**15.4**

Source: MARKETLINE
***CAGR:** compound annual growth rate

China Wine Market Volume, Million Liter, 2010-2015[E]

Year	Million Litres	% Growth
2010	1,062.9	--
2011	1,329.9	25.1
2012	1,550.2	16.6
2013	1,820.8	17.5
2014	2,125.2	16.7
2015[E]	2,465.9	16.0
***CAGR % 2010-2015[E]**		**18.33**

Source: MARKETLINE
***CAGR:** compound annual growth rate
E = Estimate

China Wine Market Volume Forecast, Million Liter, 2016-2019

Year	Million Liter	% Growth
2016	2,875.1	16.6
2017	3,331.6	15.9
2018	3,844.4	15.4
2019	4,319.7	12.4
***CAGR % 2016-2019**		**14.53**

Source: MARKETLINE
***CAGR:** compound annual growth rate

The still wines category is the most prevalent among Chinese consumers, representing approximately 96.8% of the total wine value in 2014, followed by fortified wine with 1.8% value market share. Red wine, which represents about 75.2% of the total volume of still wines, is particularly popular because of its perceived health benefits and the significance of the colour red in Chinese culture, which represents wealth, power, and good luck. Although rosé wine is the smallest segment within the still wines category in terms of volume, it has increased in volume by 105% from 2010 to 2014.

China Wine Market Category Segmentation, USD$ Million, 2014

Category	USD$ Million	Market Share %
Still wine	31,663.0	96.8
Fortified wine	582.1	1.8
Sparkling wine	326.5	1.0
Champagne	138.4	0.4
Total	**32,710**	**100**

Source: MARKETLINE

Retail Market Segmentation by Volume, Million Litres

Segment	2010	2011	2012	2013	2014	Absolute Growth %	*CAGR % 2010-14
Still Wine	635.0	726.1	861.5	905.5	917.2	44.4	9.6
Sparkling Wine	7.9	9.1	11.1	12.7	13.8	74.7	15.0
Total Wine	642.9	735.2	872.6	918.2	931.0	44.8	9.7

Source: Mintel, 2016.
***CAGR:** compound annual growth rate

Still Wine Retail Market Segmentation by Volume, Million Litres

Segment	2010	2011	2012	2013	2014	Absolute Growth %	*CAGR % 2010-14
Red	500.7	571.4	676.2	698.6	689.3	37.7	8.3
White	130.3	149.8	178.8	199.6	219.7	68.6	14.0
Rosé	4.0	4.9	6.5	7.3	8.2	105.0	19.7
Total Still Wine	635.0	726.1	861.5	905.5	917.2	44.4	9.6

Source: Mintel, 2016.
***CAGR:** compound annual growth rate

Top Companies

The top three companies in terms of volume and value market share in 2014 were Yantai Changyu Pioneer Wine, China Foods Limited, and Weilong Wine. Citic Guoan Wine saw the most growth in volume with a 57.2% increase from 2012 to 2014, and Tonghua Wine saw the most growth in value with a 50% increase during the same period.

Wines and Sparkling Wines: Company Retail Market Share by Volume (%)

Company	2012	2013	2014	Absolute Growth %	*CAGR % 2010-14
Yantai Changyu Pioneer Wine Company Limited	4.9	5.3	5.6	14.29	6.90
China Foods Limited	5.8	3.1	3.9	-32.76	-18.00
Weilong Wine Co., Ltd.	1.3	1.1	1.2	-7.69	-3.92
Citic Guoan Wine Co., Ltd.	0.7	0.9	1.1	57.14	25.36
China Tontine Wines Group Limited	1.3	0.6	1.0	-23.08	-12.29
Dynasty Fine Wines Group Limited	1.9	1.0	0.8	-57.89	-35.11
Gansu Mogao Industry Development Co., Ltd.	0.6	0.6	0.7	16.67	8.01
JLF Investment Company Limited	0.3	0.3	0.2	-33.33	-18.35
Tonghua Wine Co., Ltd.	0.1	0.2	0.1	0.00	0.00
China Ouhua Winery Holdings Limited	0.3	0.1	0.0	-100.00	-100.00
Others	82.8	86.8	85.4	3.14	1.56

Source: Mintel, 2016
***CAGR:** compound annual growth rate

Wines and Sparkling Wines: Company Retail Market Share by Value (%)

Company	2012	2013	2014	Absolute Growth %	*CAGR % 2010-14
Yantai Changyu Pioneer Wine Company Limited	11.5	8.8	9.2	-20.00	-10.56
China Foods Limited	10.1	4.8	6.0	-40.59	-22.92
Weilong Wine Co., Ltd.	2.5	2.4	2.5	0.00	0.00
Dynasty Fine Wines Group Limited	4.5	2.3	1.9	-57.78	-35.02
Citic Guoan Wine Co., Ltd.	1.1	1.2	1.4	27.27	12.82
China Tontine Wines Group Limited	1.7	0.5	0.7	-58.82	-35.83
Gansu Mogao Industry Development Co., Ltd.	0.5	0.4	0.5	0.00	0.00
JLF Investment Company Limited	0.4	0.4	0.3	-25.00	-13.40
Tonghua Wine Co., Ltd.	0.2	0.3	0.3	50.00	22.47
China Ouhua Winery Holdings Limited	0.4	0.1	0.0	-100.00	-100.00
Others	67.1	78.8	77.2	15.05	7.26

Source: Mintel, 2016
***CAGR:** compound annual growth rate

Trade

With a reputation for quality wine, France has consistently been the main supplier of wine in China but has only experienced moderate growth of 56.7% over the past five years. Of the top twelve supplier countries, Chile has increased its wine exports to China the most, with value growth of 191.6% over the past five years and a compound annual growth rate of 30.7%. Australia, which is China's second most important supplier of wine, has also significantly increased its exports to China, growing by 171.3% over the same period. After the United-States, China was Canada's second largest export market for wine in 2015, worth CAD$ 13.5 million. Canada is China's twelfth largest supplier of wine and has increased its exports to China by 72.4% over the past five years, at a compound annual growth rate of 14.6%.

Top 12 Suppliers of Wine to China, CAD$
(Harmonized Code: 2204)

Country	2011	2012	2013	2014	2015	Total	*CAGR % 2011-15
France	740,943,653	786,986,072	728,672,767	728,870,132	1,160,893,934	4,146,366,558	11.9
Australia	214,404,487	227,075,626	243,002,205	283,027,714	581,767,324	1,549,277,356	28.3
Chile	102,951,271	147,590,354	171,657,505	184,366,585	300,224,887	906,790,602	30.7
Spain	99,021,676	112,073,369	110,017,905	122,127,973	166,325,156	609,566,079	13.8
Italy	92,623,244	96,148,352	108,311,866	115,102,199	128,594,321	540,779,982	8.5
U.S.	57,055,048	70,997,950	81,627,309	80,349,670	73,086,571	363,116,548	6.4
South Africa	21,263,563	22,358,338	24,958,390	26,113,167	51,473,835	146,167,293	24.7
Argentina	14,366,927	18,457,981	23,803,018	19,898,321	26,218,502	102,744,749	16.2
Germany	19,476,669	17,557,405	21,128,510	23,925,118	24,165,932	106,253,634	5.5
New Zealand	18,343,987	23,670,947	20,663,773	26,849,309	24,018,747	113,546,763	7.0
Portugal	13,497,069	15,579,906	19,416,937	16,143,170	21,580,552	86,217,634	12.4
Canada	7,851,051	12,220,142	14,714,583	11,702,522	13,531,122	60,019,420	14.6
World	**1,426,431,893**	**1,579,287,228**	**1,599,584,001**	**1,674,642,356**	**2,616,820,380**	**8,896,765,858**	**16.4**

Source: Global Trade Tracker, 2016
***CAGR:** compound annual growth rate

Top Three Suppliers of Wine to China, CAD$, 2015

Supplier	Description	Value, CAD$
France	Grape wine, in container equal or less than 2 Liters	1,115,466,338
	Sparkling wine	37,784,249
	Grape wine, in container greater than 2 Liters	7,643,347
	Total	**1,160,893,934**
Australia	Grape wine, in container equal or less than 2 Liters	563,860,874
	Grape wine, in container greater than 2 Liters	12,290,260
	Sparkling wine	5,535,578
	Grape must	80,612
	Total	**581,767,324**
Chile	Grape wine, in container equal or less than 2 Liters	218,537,460
	Grape wine, in container greater than 2 Liters	81,373,426
	Sparkling wine	314,001
	Total	**300,224,887**

Source: Global Trade Tracker, 2016

DISTRIBUTION CHANNELS

According to the Asian Journal of Management Research, imported wines hold the highest volume share in the combined tier 1 cities of Beijing, Guangzhou, Shanghai, and Shenzhen, which account for 53% volume of imported wine sales, with the on-trade channels representing 80% of total sales. These cities also have a strong presence of expatriates, western-educated young professionals and consumers who

have a knowledge and preference for foreign wine.

As the Chinese government focuses economic development in China's interior and economies expand in tier 2 cities, the cities in China's interior will have improved distribution channels and better access to imported products, developing new markets for wine. It should be noted, however, that price and packaging will be an important consideration for these new wine consumers.

Wine exporters can enter the Chinese market through specialized wine importing, or distribution agents. Either option can then easily distribute directly to supermarkets, restaurants and liquor stores. According to Euromonitor International, 54% of wine sales in China were through retail chains (supermarkets, discounters, other outlets). The majority of wines sold in supermarkets are local wines. Imported wines are sold mostly in hotels, restaurants, and through foreign retail. Chinese consumers trust international supermarket chains because they believe that the international supermarkets can ensure better quality of the goods sold. Consumers therefore worry less about bottles of fake wine being sold in the international stores. A challenge that exporters should be aware of is the underdeveloped infrastructure, and the management of distribution channel relationships.

China Wine Market Distribution, % Share, by Volume, 2014

Channel	% Share
Supermarkets / hypermarkets	44.3
Foodservice	31.1
Specialist Retailers	14.9
Convenience Stores	3.9
Other	5.7
Total	100

Source: MARKETLINE

NEW PRODUCT EXAMPLES

White Wine
Company: Fabulous Brands, France
Brand: Winestar
Category: Alcoholic Beverages
Sub-Category: Wine
Country: China (imported product from France)
Launch Type: New Product
Flavour: Unflavoured/Plain
Claims: Premium

Product Description: Winestar Bai Pu Tao Jiu (White Wine) is said to be powerful and fresh with hints of grapefruit and pineapple with a long, fresh and fruity finish. This premium wine is suitable for fish, seafood and vegetable dishes and retails in a 187ml can. The product was on display at the Sial Tradeshow 2016, China.

Blueberry Wine
Company: Malina Wines & Spirits
Brand: Malina
Category: Alcoholic Beverages
Sub-Category: Wine
Country: China
Launch Type: New Variety / Range Extension
Price in US Dollars: 2.00
Flavour: Blueberry
Claims: --

Product Description: Malina Lan Mei Jiu (Blueberry Wine) is QS certified. This product retails in a 330ml pack.

Mulberry Ice Wine
Company: Shunchangyuan
Brand: Bosun
Category: Alcoholic Beverages
Sub-Category: Wine
Country: China
Launch Type: New Product
Price in US Dollars: 5.01
Flavour: --
Claims: --

Product Description: Bosun Mulberry Ice Wine is made of selected mulberry and is fermented at a low temperature. This unique in style wine is enriched with proanthocyanidins and resveratrol. It is ideal to drink between 4°C to 16°C. The product is available in a 375ml bottle.

Aini Yiwanqnian Red Wine
Company: Xinbao Wine
Brand: Xinleshan
Category: Alcoholic Beverages
Sub-Category: Wine
Country: China
Launch Type: New Product
Price in US Dollars: 0.63
Flavour: --
Claims: Seasonal

Product Description: Xinleshan Red Wine features "I love you for ten thousand years" slogan in Chinese, and is available in a 750ml bottle wrapped with red wrapping paper and a ribbon on the bottle neck. This product is made with wild red grapes, brewed with traditional methods and stored for many years. It is claimed to be smooth, unique in aroma and has a crystal clear colour.

CONCLUSION

China's increasing household incomes are allowing consumers to enjoy a wider array of alcoholic beverages, such as wine. This, combined with China's potential size makes it an attractive export market for wine producers. The wine market in tier 2 cities is expected to expand as consumer knowledge and preference for foreign wines develops and the government improves distribution, making foreign wines more accessible.

Red wine has typically been more popular among Chinese consumers, however, white wine and rosé have experience more volume growth over the past five years, demonstrating potential for these markets to further develop.

Quality and brand are important purchasing factors for Chinese consumers. Additionally, elderly consumers and new wine consumers in tier 2 cities may be more price-sensitive. There is also a higher degree of consumer trust in foreign wines regarding safety. Considerations include the varying tastes across regions, the importance of keeping costs low, and that the Chinese market it particularly fragmented. A challenge that exporters should be aware of is the underdeveloped infrastructure, and the management of distribution channel relationships.

With the top packaging claims for wine being premium and vitamin/mineral fortified, it seems that the global trend for health and wellness products is also relevant to the wine market in China, creating an opportunity for specialty wines, particularly organic and fortified wines.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  www.tradecommissioner.gc.ca/cn

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- **Ben Berry, Deputy Director**
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THE WINE MARKET IN CHINA
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